

Message Text

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PAGE 01 CANBER 05459 01 OF 02 040411Z

ACTION AGRE-00

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1044

INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 2 CANBERRA 5459

STATE PASS AGRICULTURE FOR TP/FAS

USMTN

EO 11652: NA

TAGS: EAGR, ETRD, AS

SUBJECT: AUSTRALIAN IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

REF: (A) STATE 141905, (B) CANBERRA 3979

1. ECOUNS, AGATT AND EMBOFF PRESENTED TALKING POINTS BASED ON CONTENTS REFTELS ON AUGUST 1 TO GOA GROUP MADE UP AS FOLLOWS:

K.W. KILKINSON, ASSISTANT SECRETARY, INTERNATIONAL TRADE ORGANIZATIONS DIVISION, DEPARTMENT OF OVERSEAS TRADE (DOT); A.J. BENNETT, ASSISTANT SECRETARY, GENERAL CROPS AND INSPECTION SERVICE BRANCH, DEPARTMENT OF PRIMARY INDUSTRY (AND CHAIRMAN OF AUSTRALIAN TOBACCO BOARD AND CENTRAL TOBACCO ADVISORY COMMITTEE); B. WARD, DEPARTMENT OF BUSINESS AND CONSUMER AFFAIRS; AND R. BLAZEY, TRADE RELATIONS DIVISION, DOT.

2. GOA REPS REACTED AS FOLLOWS TO ITEMS COVERED: ORANGE

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PAGE 02 CANBER 05459 01 OF 02 040411Z

JUICE -- OFFICIALS STRESSED THAT ACT OF RAISING AD VALOREM DUTY ON ORANGE JUICE TO 65 PERCENT WAS TEMPORARY ACTION TAKEN BY CABINET BASED ON MORE UP-TO-DATE INFORMATION ON SHORT-TERM FUTURE OF WORLD CITRUS MARKETS THAN AVAILABLE TO INDUSTRIES ASSISTANCE COMMISSION (IAC) AT TIME LATTER'S INTERIM REPORT SUBMITTED. OFFICIALS ALSO STRESSED THAT FINAL IAC REPORT SHOULD BE PRESENTED BY ABOUT FEBRUARY 1978 AND THAT FINAL

GOVERNMENT POLICY DECISION SHOULD BE MADE BEFORE END OF 1978. OFFICIALS ALSO STATED THAT UNDER PROVISIONS OF INDUSTRIES ASSISTANCE ACT, ONCE CABINET HAD MADE DECISION ON TARIFF LEVEL IT UNABLE ALTER IT UNTIL ANOTHER IAC REPORT AND RECOMMENDATION PREPARED. EMBOFFS INFORMED THAT IN VIEW PRESENT ON-GOING IAC STUDY, ONLY DRASTIC CHANGE IN SUPPLY-DEMAND SITUATION FOR ORANGE JUICE LIKELY INDUCE GOVERNMENT REQUEST ANOTHER INTERIM REPORT, AS A RESULT OF WHICH EARLIER ACTION ON PRESENT 65 PERCENT LEVEL COULD BE TAKEN.

3. FROZEN POTATO PRODUCTS -- GOA OFFICIALS STATED THAT THEY COULD DO LITTLE BUT TAKE NOTE OF U.S. CONCERN AS IAC REPORT ON POTATOES STILL IN DRAFT STAGE AND THUS IT IMPOSSIBLE ESTIMATE EITHER RECOMMENDATIONS OF FINAL IAC REPORT OR GOVERNMENT'S ACTIONS.

4. VEGETABLE OILS -- OFFICIALS AGAIN POINTED OUT THAT THEY COULD ONLY TAKE NOTE OF U.S. CONCERN (ADDING THAT U.S. JOINING CONSIDERABLE LINE OF GOVERNMENTS HAVING EXPRESSED CONCERN) AS MATTER STILL IN INVESTIGATION STAGE BEFORE IAC. WHEN ASKED FOR IDEA OF IAC TIMETALBE ON THIS MATTER, WARD SAID IAC HAD HOPED FINISH REPORT BY END OF 1977, BUT THAT IT NOW LOOKED AS THOUGH REPORT WOULD NOT BE READY BEFORE MARCH OR APRIL 1978. WARD POINTED OUT THAT VEGETABLE OIL INDUSTRY HAD MADE ELEVEN APPEARANCES BEFORE IAC (OR ITS PREDECESSORS) SINCE 1961. HE SAID THAT BOTH PROCESSORS AND GROWERS IN LIMITED OFFICIAL USE

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PAGE 03 CANBER 05459 01 OF 02 040411Z

BETTER SHAPE THAN THEY WERE THREE OR FOUR YEARS AGO. WARD SAID THAT AS INDICATION THAT GOVERNMENT NOT ALWAYS INCLINED GIVE INDUSTRY WHAT IT DESIRED, INDUSTRY HAD MADE THREE REQUESTS FOR REFERENCE TO TEMPORARY ASSISTANCE AUTHORITY (TAA) WITHIN LAST FOURTEEN MONTHS, ALL OF WHICH HAD BEEN DENIED.

5. TOBACCO MIXING REGULATIONS -- DISCUSSIONS ON TOBACCO MIXING REGULATIONS WERE INCONCLUSIVE. AS WE UNDERSTAND IT, BASIC GOA POSITION IS THAT AUSTRALIA NOT RPT NOT IN CONTRAVENTION OF GATT ARTICLE THREE IN THAT UNDER TOBACCO MARKETING ACT OF 1965 MINISTER OF PRIMARY INDUSTRY AUTHORIZED SET AMOUNTS OF DOMESTIC TOBACCO WHICH MUST BE USED BEFORE CONCESSIONAL RATES OF DUTY WILL BE GRANTED UNDER CUSTOMS BY-LAW PROVISIONS. OFFICIALS ARGUED THAT GOA IS NOT IN CONTRAVENTION OF GATT IF IT CHOOSES LEVELS AT WHICH IT WILL GRANT BY-LAW CONCESSIONS. THEORETICALLY PERHAPS, ALTHOUGH NOT PRACTICALLY, IMPORTERS CAN ALWAYS CHOOSE IMPORT AT HIGHER RATE. AS DEPARTMENT IS AWARE, LEVEL OF 50 PERCENT DOMESTIC TOBACCO USAGE FOR QUALIFICATION FOR BY-LAW CONCESSION WAS STATUTORILY SET IN 1966.

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PAGE 01 CANBER 05459 02 OF 02 040420Z
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TO SECSTATE WASHDC 1045
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LIMITED OFFICIAL USE SECTION 2 OF 2 CANBERRA 5459

6. THERE FOLLOWED LENGTHY DISCUSSION OF WORKING OF AUSTRALIAN TOBACCO STABILIZATION PLAN, WHICH IN ROUGH OUTLINE WORKS AS FOLLOWS: AUSTRALIAN TOBACCO BOARD (ATB) MADE UP OF REPRESENTATIVES OF COMMONWEALTH (BENNETT), THREE TOBACCO STATES (VICTORIA, N.S.W. AND QUEENSLAND), GROWERS (ONE FROM EACH TOBACCO STATE) AND MANUFACTURERS (THREE). ON ANNUAL BASIS BOARD MAKES DETERMINATION OF INDUSTRY'S TOTAL TOBACCO REQUIREMENTS, SETS ANNUAL PRODUCTION QUOTA FOR GROWERS (ALL OF WHICH INDUSTRY AGREES TO BUY) AND SETS RESERVE PRICE. ALTHOUGH AMOUNT TO BE IMPORTED COULD BE SEEN AS ALMOST RESIDUAL OF TOTAL INDUSTRY NEEDS LESS QUOTA OBLIGATIONS, IN 1967 PERCENTAGE OF 55 PERCENT DOMESTIC LEAF IN EXPECTED TOTAL REQUIREMENTS SET BY BOARD AS TARGET FOR DETERMINING DOMESTIC QUOTA. IN LAST TWO OR THREE YEARS TOBACCO CONSUMPTION HAS FALLEN OFF SIGNIFICANTLY FOLLOWING SIGNIFICANT TAX INCREASES AT BOTH STATE AND FEDERAL LEVEL. AS GROWERS AT FIRST SOUGHT SUCCESSFULLY TO MAINTAIN ABSOLUTE QUOTA OF ABOUT 15.4 MILLION KGS., PERCENTAGE OF AUSTRALIAN LEAF IN TOTAL MIX CREPT UPWARD TO AROUND 58 PERCENT. HOWEVER, IN FACE OF CONTINUED SLIDE IN CONSUMPTION ATB REDUCED QUOTA BY 800,000 KGS. FOR 1977 AND BY FURTHER 1.3 MILLION KGS. FOR 1978.
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PAGE 02 CANBER 05459 02 OF 02 040420Z

BENNETT ADMITTED THAT GROWERS WERE PRESSING BOARD TO HOLD

LINE IN SETTING QUOTA FOR 1979 SEASON IN ITS DECISION TO BE MADE KNOWN EARLY IN 1978. BENNETT ADMITTED THAT IN VIEW OF CONTINUALLY SLIDING CONSUMPTION, IF GROWERS ALLOWED HAVE THEIR WAY, EFFECTIVE PERCENTAGE OF AUSTRALIAN LEAF WOULD BE APPROXIMATELY 60 PERCENT. COMMENT: IT HAS BEEN REPORTED (REF AL-7026) THAT MINISTER OF PRIMARY INDUSTRY SINCLAIR GAVE GROWERS RATHER SHORT SHRIFT IN RECENT MEETING.

7. GOA OFFICIALS RATHER NONPLUSSED AS TO HOW TO RESPOND TO EMBASSY QUESTION AS TO WHETHER MANUFACTURERS WOULD STILL OBTAIN BY-LAW CONCESSIONS IF THEY USED STATUTORY 50 PERCENT AUSTRALIAN LEAF VICE 58 PERCENT CURRENTLY APPLICABLE UNDER VOLUNTARY AGREEMENT. BENNETT REPLIED THAT THERE WOULD BE NO REASON FOR THEM TO DO SO, AS THEY COMMITTED TAKE ENTIRE QUOTA (CURRENTLY BASED ON AROUND 58 PERCENT) AND THAT TO IMPORT ADDITIONAL SUPPLIES OF FOREIGN LEAF WOULD LEAVE THEM WITH UNWANTED INVENTORIES. COMMENT: IN ANOTHER "UNWRITTEN" AGREEMENT UNDER TOBACCO STABILIZATION SCHEME, MANUFACTURERS REQUIRED MAINTAIN 18-MONTH INVENTORIES OF AUSTRALIAN LEAF, THUS RELIEVING GROWERS OF WAREHOUSING COSTS.

8. ECOUNS CONCLUDED DISCUSSION ON APPLICABILITY OF GATT ARTICLE THREE TO TOBACCO MIXING REQUIREMENTS BY STATING THAT IT HIS PERSONAL FEELING THAT CASE FOR CONTRAVENTION RESTED NOT SO MUCH ON WHETHER MIXING REQUIREMENTS NOW AT STATUTORY 50 PERCENT (AND EFFECTIVELY AT 58 PERCENT) VICE 3 PERCENT WHEN AUSTRALIA ACCEDED TO GATT, BUT RATHER WHETHER TOBACCO STABILIZATION PLAN ITSELF IN CONTRAVENTION. COMMENT: IN VIEW OF LONG ESTABLISHMENT OF TOBACCO BOARD, STRONG POSITION OF GROWERS AND DECLINING CONSUMPTION, IT APPEARS UNLIKELY THAT U.S. WILL BE ABLE ACHIEVE ANY ROLL-BACK IN MIXING REQUIREMENTS. THE BEST THAT WILL BE POSSIBLE WILL BE TO HOLD LIMITED OFFICIAL USE

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PAGE 03 CANBER 05459 02 OF 02 040420Z

THE LINE AGAINST FURTHER EROSION.

9. IN REPLY TO EMBASSY PLEA THAT GOA REFRAIN FROM TAKING ACTIONS IN WHICH THE WHOLE WAS BIGGER THAN THE SUM OF THE PARTS AND MIGHT ENCOURAGE OTHER COUNTRIES TO CONSIDER SIMILAR RESTRICTIVE ACTIONS, GOA OFFICIALS REPLIED THAT ACTIONS, EITHER TAKEN OR PROPOSED WERE REALLY NOT AN INDICATION OF ANY NEW TREND IN GOA THINKING. THEY POINTED OUT THAT IN SO-CALLED "HORTICULTURAL CROP" AREA AUSTRALIAN GROWERS HAD HAD COMPETITIVE PROBLEMS FOR YEARS AND THAT THUS GOA ACTIVITY IN INVESTIGATING POSSIBLE ASSISTANCE FOR AGRICUTURAL CROPS IN THIS AREA WAS A LONG-STANDING MATTER. EMBOFFS POINTED OUT THAT BE THAT AS IT MAY, SUCH ACTIONS MIGHT WELL BE SEEN BY OTHER COUNTRIES UNFAMILIAR WITH PAST AUSTRALIAN PRACTICE AS ESTABLISHING A NEW TREND.
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Message Attributes

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